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Siemens Unveils $1.37 Billion Investment Plan Over Three Years

By Anatoly Medetsky

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Siemens will spend 1 billion euros ($1.37 billion) on projects in Russia over the next three years, company chief Peter Löscher said Monday.

He spoke after joining other major international chief executives and Prime Minister Vladimir Putin to discuss setting up state-of-the-art production facilities throughout Russia.

"My impression was that a new investment offensive was getting underway," Löscher said about the meeting. "And Siemens will be an active participant in this investment offensive."

Siemens did not say how much it has already invested in Russia, but the new number will make it one of the biggest investors in the country. The plans will strengthen its position in a market where rivals such as France's Alstom and U.S.-based General Electric also seek opportunities.

In a sign that Siemens already holds a high profile, the Federal Anti-Monopoly Service announced Monday that it was investigating the company for possible breaches of antitrust law.

Siemens will create new or expand existing businesses in four regions — Sverdlovsk, Voronezh, Perm and Leningrad.

The biggest project, where Siemens plans to pitch in 400 million euros, is aimed at producing its gas-fired turbines locally and servicing them.

Siemens will invest 275 million euros in a joint venture with Russia's Power Machines to manufacture the larger type of turbine, with a capacity of 60 megawatts to 400 megawatts, in St. Petersburg, capital of the Leningrad region. Siemens announced the partnership with Power Machines in August, and the German company will hold 65 percent in it.

The rest of the money will go on setting up a separate company to produce smaller gas-fired turbines. Siemens did not name the location of that factory.

The second-most expensive project is to expand capacity to assemble locomotives and railcars at its joint venture with Russia's Sinara in the Sverdlovsk region, with Siemens forking out 200 million euros.

Siemens already signed a 2 billion euro contract with Russian Railways last month to supply 1,200 Desiro commuter cars, to be known locally as Lastochka, starting in 2013.

"This is the largest contract in all our history in Russia," Löscher said.

In energy, Siemens is looking at one more joint venture. It plans to combine forces with Russia's United Engine Corporation and RusHydro, the world's second-largest hydropower company, to produce wind turbines and blades for them. Siemens would invest 120 million euros, hold 51 percent in the venture and be the first company to use wind-energy technology for production in Russia.

"Siemens will play the role of a pioneer here," Löscher said.

Other investments include 60 million euros in a joint venture with Iskra-Aviagaz to make compressors for trunk pipelines — meaning that the client will be Gazprom, the gas pipeline monopoly. Siemens will own 51 percent in the Perm-based venture.

In the Voronezh region, Siemens will build and own factories alone to manufacture various types of electric equipment, including switches and high-voltage transformers. The investment will measure 115 million euros.

Another electric-equipment factory, in St. Petersburg, will expand after a 23 million euro investment to produce parts for the

locomotives and trains to come off the line near Yekaterinburg in the Sverdlovsk region.

Siemens is also investing 40 million euros in its research and development center at Skolkovo, the planned Russian innovation hub outside Moscow.

Siemens, which employs about 4,000 people in Russia, will double that number when it completes these expansion plans.

Siemens' sales amounted to 1.2 billion euros last year, and existing contracts are worth 2.6 billion euros more, Löscher said.

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